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SENATE BILL 2536 By
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HOUSE BILL 3204
By Jackson

AN ACT to amend Tennessee Code Annotated, Title 56, relative to the prompt payment of claims by certain health maintenance organizations.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 56, Chapter 32, Part 2, is amended by adding the following as a new section to be appropriately designated:

(a) This section applies only to ensure the prompt and accurate payment of all provider claims for services delivered to an enrollee in a health maintenance organization operating under this chapter which is not involved in a TennCare line of business or is not a subcontractor of such an organization involved in a TennCare line of business. This section does not apply to a health maintenance organization involved in a TennCare line of business or to a subcontractor of such an organization involved in a TennCare line of business.

(b) (1)(A) A health maintenance organization shall pay any claim or any portion of a claim made by a contract provider for services or goods provided under a contract with the health maintenance organization which the organization does not contest or deny

within thirty-five (35) days after receipt of the claim by the health maintenance organization which is mailed or electronically transferred by the provider.

(B) A health maintenance organization that denies or contests a provider's claim shall notify the contract provider, in writing, within thirty-five (35) days after receipt of the claim by the health maintenance organization that the claim is contested or denied. The notice that the claim is denied or contested must identify the contested portion of the claim and the specific reason for contesting or denying the claim, and may include a request for additional information. If the health maintenance organization requests additional information, the provider shall, within thirty-five (35) days after receipt of such request, mail or electronically transfer the information to the health maintenance organization. The health maintenance organization shall pay or deny the claim or portion of the claim within forty-five (45) days after receipt of the information.

(2) Payment of a claim is considered made on the date the payment was received or electronically transferred or otherwise delivered. An overdue payment of a claim bears simple interest at the rate of ten percent (10%) per year.

(3) A health maintenance organization shall pay or deny any claim no later than one hundred twenty (120) days after receiving the claim.

(4) Any retroactive reductions of payments or demands for refund of previous overpayments which are due to retroactive review-of-coverage decisions or payment levels must be reconciled to specific claims unless the parties agree to other reconciliation methods and terms. Any retroactive demands by providers for payment due to underpayments or nonpayments for covered services must be reconciled to specific claims unless the parties agree to other reconciliation methods and terms. The look-back period may be specified by the terms of the contract.

(c) An aggrieved provider under this section may send a written request for review to the commissioner of commerce and insurance. The commissioner or the

commissioner's designee shall determine whether a health maintenance organization inappropriately failed to pay a claim under this section. The health maintenance organization and the petitioning provider shall provide the commissioner or the commissioner's designee with copies of relevant information on written request from the commissioner within time frames that the commissioner establishes by rule. The commissioner shall by rule establish a procedure for review of such claims. Final action by the commissioner on disputed claims shall be subject to judicial review pursuant to title 4, chapter 5. The commissioner is authorized to promulgate rules and regulations to effectuate the purposes of this act. All such rules and regulations shall be promulgated in accordance with the provisions of Tennessee Code Annotated, Title 4, Chapter 5.

(d)(1) A violation of the provisions of this section shall subject the violator to a civil penalty which shall not exceed ten thousand dollars (\$10,000) to be determined by the commissioner of commerce and insurance and assessed and enforced pursuant to rule.

(2) In addition to any other penalty authorized by law, including, but not limited to, the penalty authorized by subsection (a), any health maintenance organization found by the commissioner to be in violation of this section shall be subject to revocation or suspension of its certificate of authority under § 56-32-216 or, in the alternative, the imposition of the penalties and other remedies set forth at § 56-32-220.

SECTION 2. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

SECTION 3. For the purposes of rulemaking, this act shall take effect on becoming a law and for all other purposes this act shall take effect January 1, 2001, the public welfare requiring it. This act shall apply to claims arising on or after that date.

